State of the nation

Czech Republic



Connecting consumer and business expectations
The state of the Czech Republic’s FMCG landscape

Q1.2024

NIQ

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Greetings from NIQ



Dear valued reader,

We are excited to share with you our latest Newsletter titled „Connecting consumer and business expectations, the state of the Czech Republic's FMCG landscape."

As Czech consumers tread cautiously into 2024 amidst lingering financial strains, a glimmer of optimism emerges from local FMCG players projecting growth of 2-10% for the year. Inflationary pressures have reshaped purchase preferences, driving shoppers towards discounters and prompting a homebody lifestyle with reduced out-of-home entertainment spending. Join us in exploring the insights that shed light on these topics.

Apart from this piece of insight covering the performance of retail market in the Czech Republic, you're invited also to our website and social channels, where we reveal The Full View through different global and regional insights.

Enjoy the reading!

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As Czech shoppers are feeling inflation pressure, they keep cautious mindset for 2024

Although economic indicators started positive shifts in 2023, Czechs were still feeling material deprivation and effects of inflation. As a result, most Czechs keep negative outlook for 2024, anticipating further prices increase and economy conditions worsening.

14%

of Czech of households struggled with their incomes in 2023, and made ends meet with difficulty or great difficulty.

Single-parent families and individuals over 65 years old struggled the most with their incomes.

Source: Czech statistical office, 2023 vs. 2022

92%

of Czech shoppers notice food prices increase. As a result, nearly 9 out of 10 Czechs implement saving measures.

Source: NIQ Shopper Trends 2023, November 2023

Czech Republic | Expectations for 2024:



Negative

Development of:
- Energy prices increase
- Food prices increase
- Inflation in the country
- Country's economy



Neutral

Development of:
- Personal economic situation



Positive

Development of:
- Personal employment situation

Source: online Omnibus research, January 2024

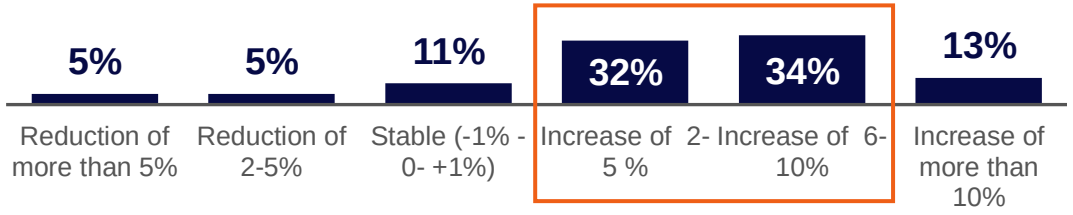
Source: Czech statistical office, Statistics on Income and Living Conditions 2022 & 2023; NIQ Shopper Trends 2023, November 2023, N=1042, Q79, SH03; NIQ online Omnibus research, January 2024, N=1012, Q: What are your expectations regarding development in the following areas for the year 2024?, prevailing option for the respective area, positive = top 2 boxes, negative = bottom 2 out of a 5-point scale.

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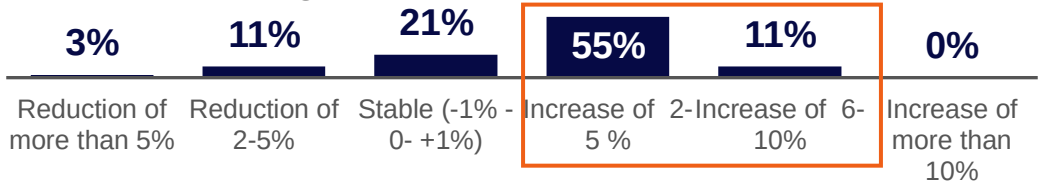
2/3 of FMCG professionals anticipate their business to grow from 2% to 10% in 2024

Forecasts regarding total FMCG value and consumption growth show similar trend, but with a greater degree of stability.

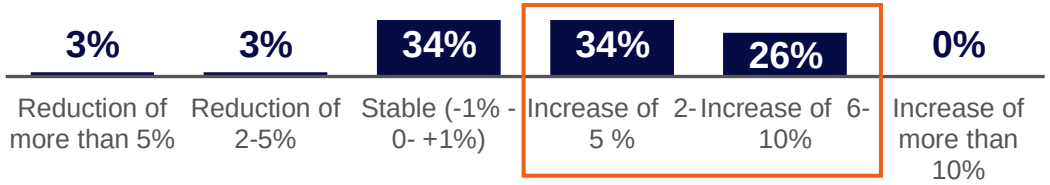
What is your expectation about your **business growth** in 2024 in **value** terms?



What is your expectation about **total FMCG market growth** in 2024 in **value** terms?



What is your expectation about total FMCG market growth in 2024 in volume terms?

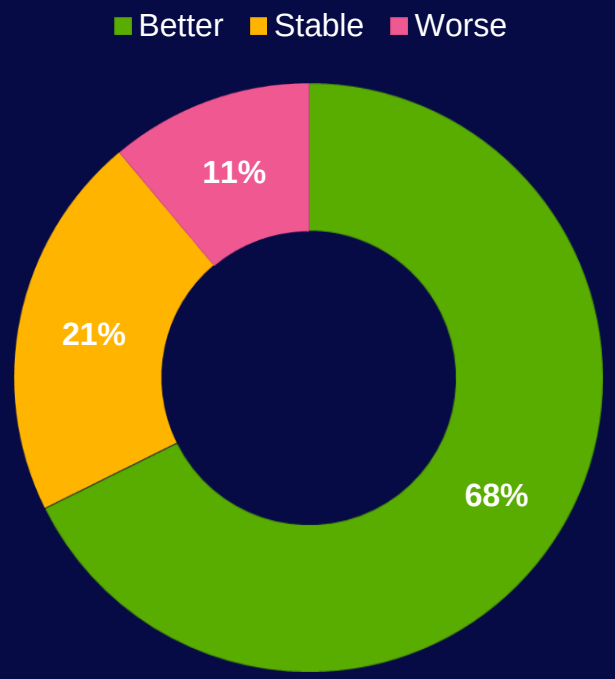


Source: NIQ C-Suite Czech Republic 2023; Base – CZ respondents Manufacturers and Retailers CEOs

Positive 2024 expectations prevail also among 2024 Retail Summit conference participants

What are your business expectations for 2024?

% of respondents who expect better/stable/worse situation



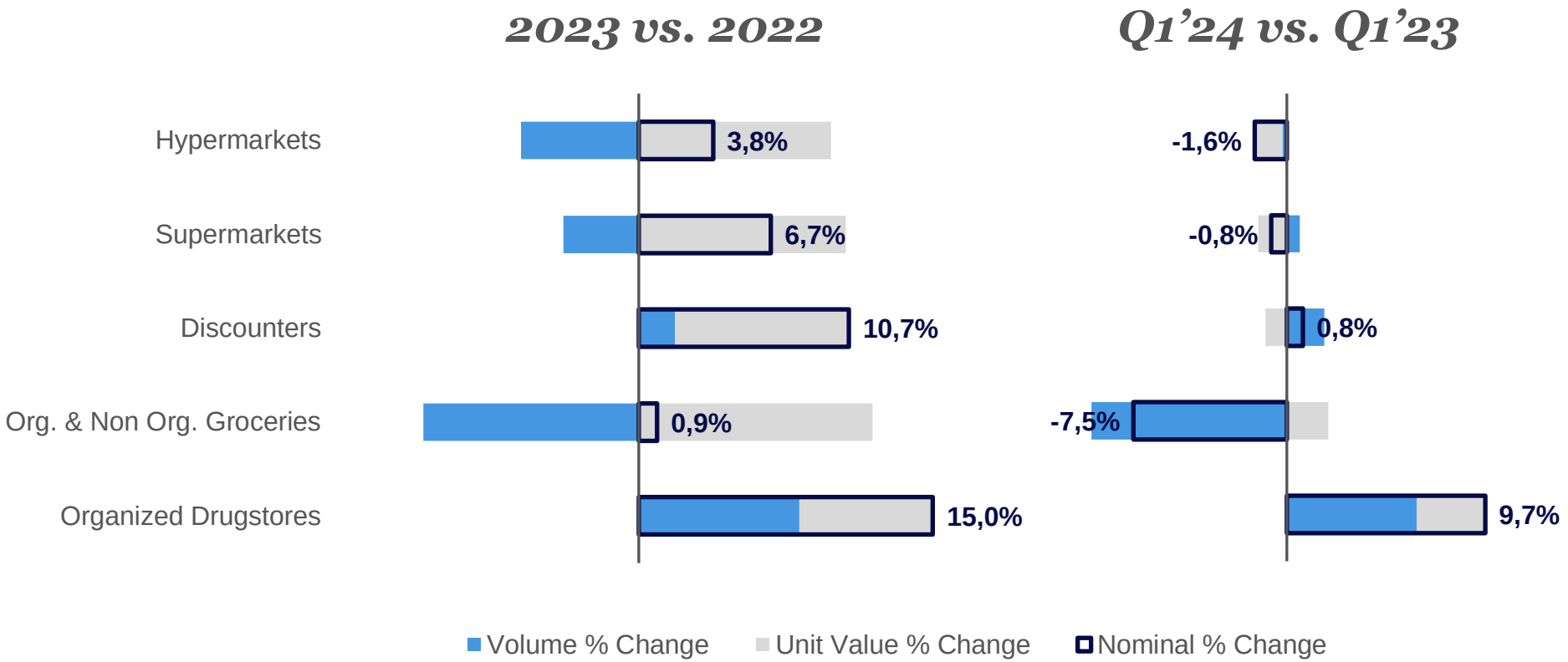
Source: NIQ Retail Summit 2024 presentation – instant questionnaire; Base – respondents attending Retail Summit conference 25-27/03/2024

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Providing cautious shopper with the right price will help to manage consumption in 2024

Discounters and Drugstores were growing double-digit in 2023 due to volume sales increase on the background of lower price growth. As inflation decelerates at the beginning of 2024, Hyper- and Supermarkets manage to keep the interest of deal-seeking shoppers, which is reflected in stable or even growing consumption in Q1'24 vs. YA.

Czech Republic | Food & Drug | Channels dynamics



Among top-5 drivers of store choice, ***3 factors*** are connected to ***low prices and value for money***

Source: NIQ Growth Reporter, FY 2023 vs. FY 2022, Q1 2024 vs. Q1 2023, Nominal change = Value sales change; NIQ Shopper Trends 2023, November 2023

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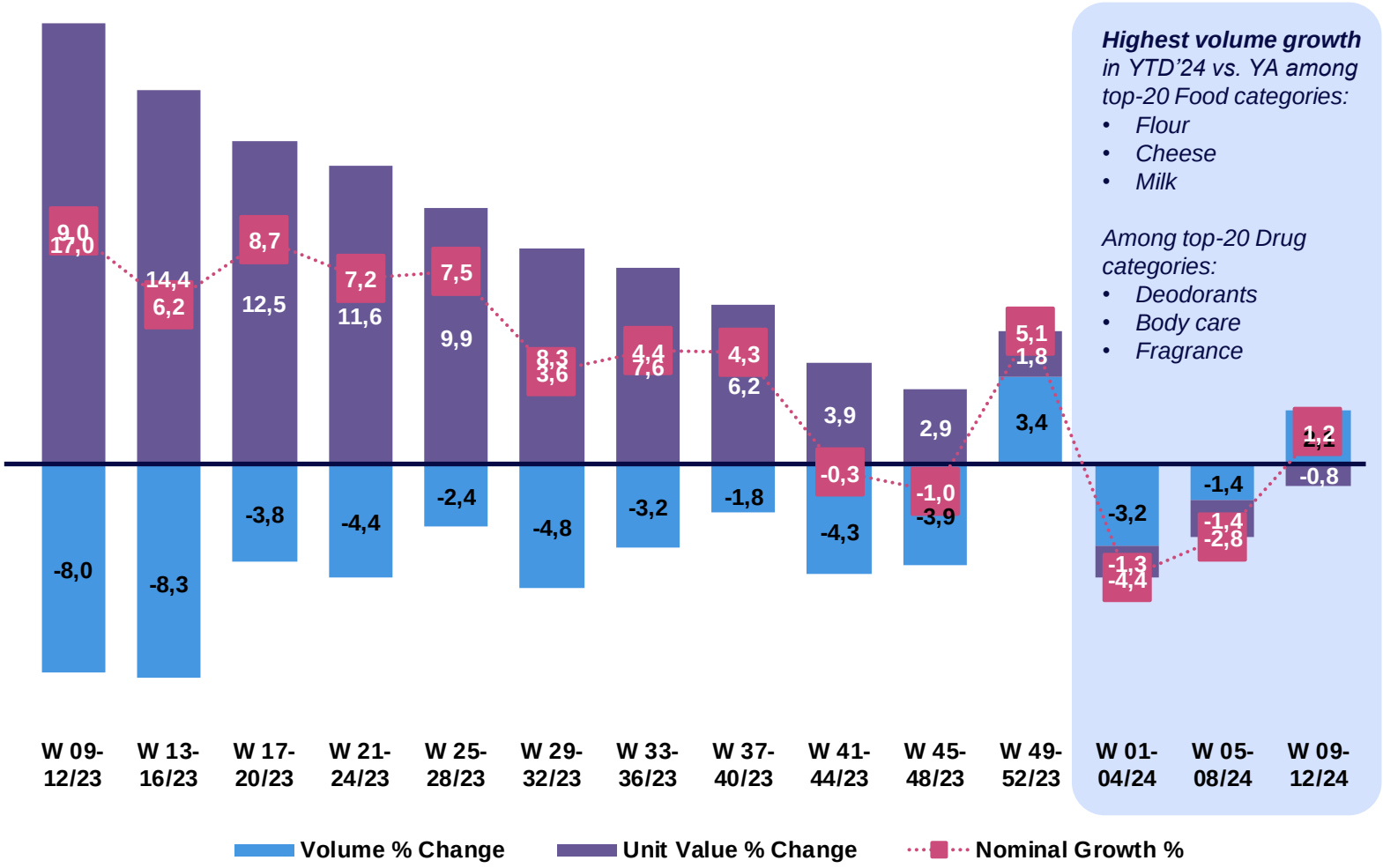
Consumption slowly restores for essentials

Strategy of buying less in order to save money was visible in Czech FMCG market throughout 2023, with a short break for holiday shopping at the end of the year.

As at the start of 2024, ***54% of Czechs claimed that they were trying to buy only essentials***, consumption restriction is still visible this year.

Volume decrease is slowly moderating, and consumption reaches growth in weeks 09-12 2024 on the background of prices decreasing from inflationary levels of 2023. And still, among categories that are increasing volumes are mainly essentials, like dairy, pantry supplies and personal care categories.

Source: NIQ online Omnibus research, January 2024, N=1012



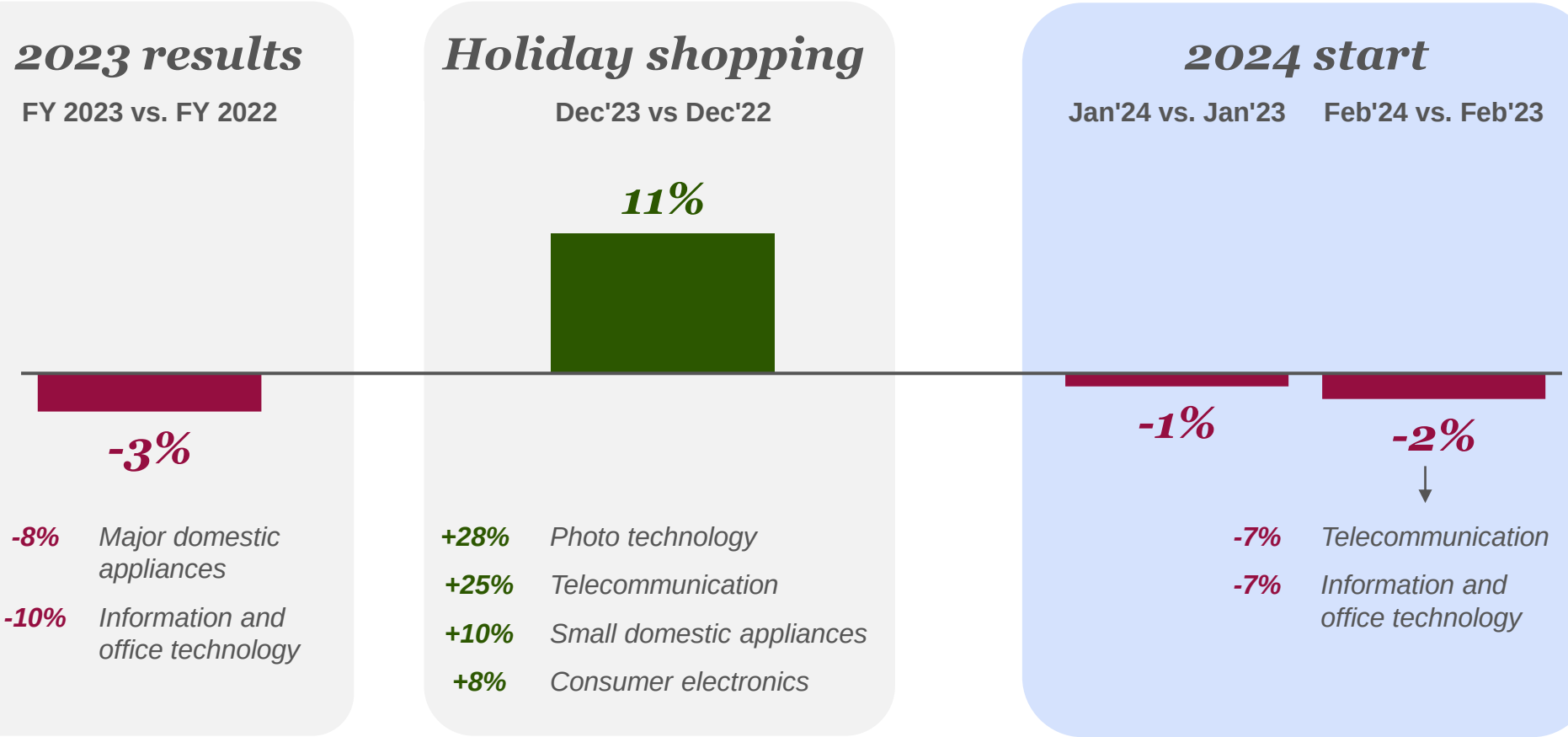
Source: NIQ RMS, Total Czech Food/Drug, Food & Drug categories, YTD'24 – W 01-12 2024, changes vs. same periods of previous year.

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Continued Tech & Durables decline confirms that Czechs are not yet returning to big spendings

In 2023, Tech & Durables experienced a sales decrease across categories, primarily influenced by major domestic appliances, such as washing machines and refrigerators, as well as information and office technology. Even though the end of the year 2023 looked promising thanks to holiday shopping, Jan-Feb 2024 declining sales confirm the consumers' cautiousness.

Tech & Durables
Sales Value % chg.

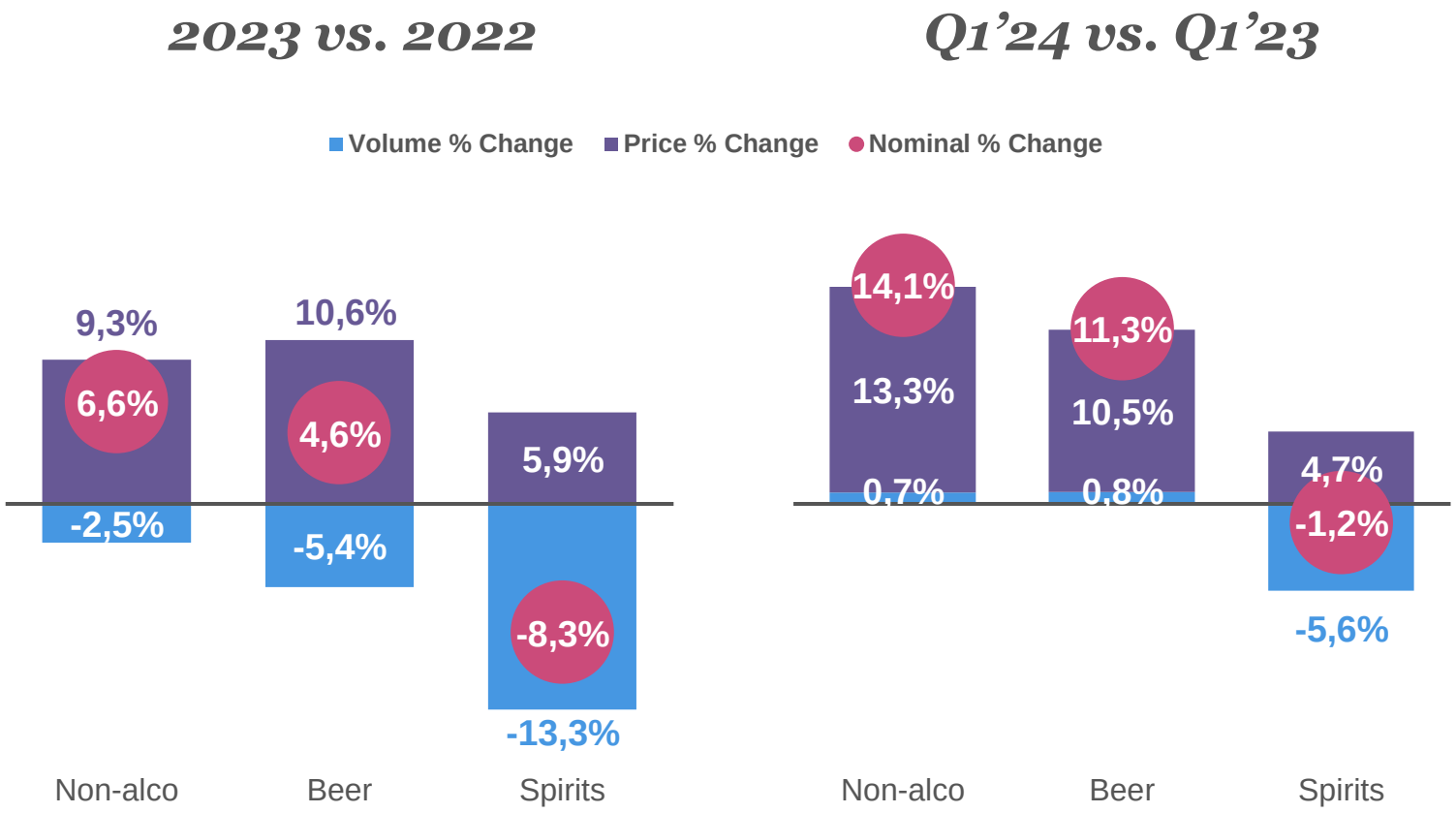


Source: GfK: Tech & Durables Tracking, Czech Republic, 2023 vs. 2022; Jan & Feb 2024 vs. Jan & Feb 2023

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As Czechs are going out less, beverages consumption in HoReCa decreased in 2023. The start of 2024 brought a steady demand for non-alco drinks and beers compared to YA, but not for the spirits

Czech Republic | Beverage categories in HoReCa



What's next?

Utilize major sport events to drive spendings for social gathering at home, replacing OOH entertainment.



2024 IIHF Ice Hockey World Championship

Is held in the Czechia in May 2024. Last year's games were broadcasted to 154 countries. Four of Czechia's preliminary-round games had 1 million viewers on ČT.

Euro 2024

Will be held in Germany in June/July 2024. Euro UEFA cup attracts a cumulative audience of over 5 billion.

2024 Summer Olympics

An extra 3 million people are expected in Paris for the Olympic Games in July/August 2024. **82% of French people will be watching Olympic Games at home.**

Source: NIQ Horeca Fusion, Czech Republic; IIHF, "By The Numbers: 2023 IIHF Ice Hockey World Championship"; NielsenIQ Homescan, Survey conducted in December 2023 among 9,000 panelists

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Czech consumers entered 2024 with cautiousness. Despite inflation deceleration during 2023, Czechs feel the prolonged financial pressures and do not expect the situation to improve in the current year.

On the contrary, local FMCG players are more positive, as they expect their businesses and total FMCG market to grow by 2-10% in 2024.

Several years of disruptions changed the shopping habits over the world. Czechs were saving money in 2023 by buying less. After a short break for holiday shopping in December, they returned to this strategy in early 2024, for both FMCG and Tech & Durables goods. But there is a glimpse of positivity of consumption returning to essential categories, like dairy, pantry supplies and personal care products that happened in the last weeks of Q1’24.

The choice of the place to buy from was also greatly impacted by inflation. As Czechs are looking for low prices and deals, Discounters were attracting shoppers in 2023. In Q1’24, the price decrease in Hyper- and Supermarkets compared to the same period last year, helped them to manage the consumption of the pressured shopper. Due to increased prices, Czechs continue turning to a homebody lifestyle, limiting out-of-home entertainment or dining, which is reflected in consumption decline in HoReCa industry. Sign of recovery is visible here in Q1´24 as well for beer and non-alco beverages, not so for spirits, though.



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